

STATE OFFICE OF RISK MANAGEMENT
Austin, Texas

ANNUAL INTERNAL AUDIT REPORT

Fiscal Year 2015



STATE OFFICE OF RISK MANAGEMENT
Austin, Texas

Annual Internal Audit Report
Fiscal Year 2015

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Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and
Audit Committee Members
State Office of Risk Management
Austin, Texas

We performed tests of management's assertion about the effectiveness and efficiency of the internal control structure over the Document Management & Records Retention Area of the State Office of Risk Management (SORM); and, its compliance with the Texas Government Code, the Texas Administrative Code, and SORM's established policies and procedures, as applicable to the Document Management & Records Retention Area for the 9 months ended May 31, 2015.

The results of our tests disclosed that such controls were adequate and no material instances of noncompliance were noted; however, we noted certain matters, which are included in this report, that are opportunities for strengthening internal controls and operating efficiency; and, ensuring compliance with state requirements and SORM's established policies and procedures. We also performed a follow-up of the findings that were presented in the prior year annual internal audit report and this report reflects the implementation status of those matters; and, includes all information required for the Annual Internal Audit Report.

We have discussed the comments and recommendations from the Document Management & Records Retention Area audit; and, the implementation status from the follow-up performed, with various SORM personnel; and, will be pleased to discuss them in further detail; to perform an additional study of these matters; or, to assist you in implementing the recommendations.

*Garza/Gonzalez
& Associates*

June 19, 2015

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INTRODUCTION

The State Office of Risk Management (SORM) was created by House Bill 2133, 75th Legislature and became a state agency effective September 1, 1997. SORM was created from the merger of the Workers' Compensation Division of the Office of the Attorney General (OAG) and the Risk Management Division of the Texas Workers' Compensation Commission (TWCC), now the Division of Workers' Compensation at the Texas Department of Insurance (TDI).

SORM is charged by Texas Labor Code §412.011 to administer state risks and insurance services obtained by state agencies, including the government employees workers' compensation insurance program and the state risk management programs.

Some of SORM's statutory objectives and key functions are to:

- administer the workers' compensation insurance program for state employees established under Chapter 501;
- operate as a full-service risk manager and insurance manager for state agencies;
- maintain and review records of property, casualty, or liability insurance coverage purchased by or for state agencies;
- administer the program for the purchase of surety bonds for state officers and employees; and,
- review, verify, monitor, and approve risk management programs adopted by state agencies.

SORM's operations are governed by the Texas Labor Code, Chapters 412 and 501; and, by a five-member board, appointed by the Governor, that serves staggered terms.

2015 Internal Audit Plan

Following are the internal audits and other functions performed, as identified in SORM's approved 2015 Internal Audit Plan:

- Document Management & Records Retention
- Follow-up of Prior Year Internal Audits
- Other Tasks

This report contains the results of our audit of the Document Management & Records Retention Area, reflects the follow-up performed in the current year, and meets the Annual Internal Audit Report requirements.

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INTERNAL AUDIT OBJECTIVES

In accordance with the **International Standards for the Professional Practice of Internal Auditing**, the audit scope encompassed the examination and evaluation of the adequacy and effectiveness of SORM's system of internal control and the quality of performance in carrying out assigned responsibilities. The audit scope included the following objectives:

- **Reliability and Integrity of Financial and Operational Information** – Review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- **Compliance with Policies, Procedures, Laws, Regulations, and Contracts** – Review the systems established to ensure compliance with those policies, procedures, laws, regulations, and contracts which could have a significant impact on operations and reports, and determine whether the organization is in compliance.
- **Safeguarding of Assets** – Review the means of safeguarding assets and, as appropriate, verify the existence of such assets.
- **Effectiveness and Efficiency of Operations and Programs** – Appraise the effectiveness and efficiency with which resources are employed.
- **Achievement of the Organization's Strategic Objectives** – Review operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

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EXECUTIVE SUMMARY

BACKGROUND

DOCUMENT MANAGEMENT & RECORDS RETENTION AREA

Document Management

The Document Processing Department (DPD), under the Strategic Programs Division, is responsible for the document management functions, which include the initial setup of injury claims, scanning incoming mail for workers' compensation claims and medical bills, archiving workers' compensation claim files, and maintenance of inactive workers' compensation claim files.

The DPD is comprised of a Supervisor, who reports to the Deputy Executive Director, and 15 Document Specialists, some of whom function as Team Leads.

Incoming Mail

A designated Document Specialist retrieves mail twice a day from the Office of the Attorney General (OAG) mail center, and opens all mail in SORM's mail room for processing. All regular mail is opened, date stamped on each page, and placed in the appropriate location, based on the document type, for further processing. Mail that is addressed to SORM executives or to the human resources department, is considered confidential; and, is therefore not opened, but is date stamped on the envelope then forwarded to the appropriate area.

New Workers' Compensation Claims Setup

New workers' compensation claims that are not received electronically through SORM's Risk Management Information System are manually set up in the Claims Management System (CMS) by a designated Document Specialist, the DPD Supervisor; or, Team Lead, utilizing the 'First Report of Injury' (DWC-1), medical bills, or other forms or reports that are received by mail. The designated Document Specialist first performs a CMS search using the injured worker's social security number or first and last name, to determine if an existing claim number can be located. If an existing claim cannot be located, a new workers' compensation claim is set up and a case number is assigned by the CMS. For a new workers' compensation claim to be set up in the CMS, the following information is required to be included in the documentation:

- Employee name
- Employer name
- Date of injury
- Indication that injury is work related

If the document does not contain this required information, it will be returned to the sender by SORM's receptionist to request the needed information.

Additional workers' compensation claim related information is then entered into the CMS by the Document Specialist or by an adjuster, at a later time. Such information includes:

- Date claim received;
- Claimant's address, phone number, social security number, date of birth, etc.; and,
- Date, nature, and cause of injury.

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As of May 31, 2015, the DPD manually set up 862 new workers' compensation claims.

Document Imaging

Since 2001, the Document Management area has been scanning all workers' compensation claim files and medical bills into the FileNet data system, which is customized software that stores and indexes scanned documents. Scanned documents are stored by the following document class types:

- STRATACARE – current, archived, and duplicate medical bills.
- MYMAYTRIX – pharmacy bills.
- PRIORITY/NON PRIORITY DOCUMENTS – forms, reports, and other miscellaneous workers' compensation claim file documents.
- RETURN TO PROVIDOR – medical bill of an existing workers' compensation claim being returned due to missing one or more required information.
- ARCHIVED CLAIM FILES – archived (pre-2001) workers' compensation claim files.
- IN-HOUSE PAYMENTS – manually entered workers' compensation claim related expenses; such as, legal fees, medical reimbursement, and medical travel expenses.
- IMO PRE-AUTH IMAGES – pre-authorization documents.
- RECORDED STATEMENTS – recorded statements.

Workers' compensation claim files (pre-2001) that have not been scanned, are archived and stored either onsite at SORM's offices or offsite in the OAG's warehouse. All medical bills have been scanned and are accessible from the FileNet data system.

Incoming Workers' Compensation Claim Related Mail (other than medical bills)

Following are the procedures performed to scan incoming workers' compensation claim related mail, other than medical bills, into the FileNet data system:

- Identify workers' compensation claim number in CMS.
- Enter form type into the CMS, which generates a green barcode sheet.
- A unique SORM document control number (SDCN) is assigned by the CMS.
- Print barcode sheets and match them to corresponding documents.
- Manually count the number of pages and documents in a batch, and record on a Batch Slip.
- Scan batch into the FileNet data system, using the appropriate document class type.
- Verify scanned number of pages to manual page count and verify image quality of each scanned page.
- Index and store documents in the FileNet data system.

Paper documents are shredded 2 weeks after being scanned.

Incoming Medical Bills

A "Clean Bill Review" is performed by the DPD, prior to scanning, to ensure inclusion of all information required by SORM's cost containment vendor. Scanning and shredding procedures for medical bills are the same as those for non-medical bills; however, a yellow instead of green, barcode sheet is generated and used for scanning. After the medical bills are scanned, a PDF copy of the bill is generated and imported into the File Transfer Protocol server to be retrieved by the cost containment vendor.

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If during the Clean Bill Review process, the medical bill is found to be related to an existing workers' compensation claim number, but is missing any of the required information, the Document Specialist will generate a Return to Provider (RTP) Letter from the CMS along with a yellow barcode sheet. The yellow barcode sheet, RTP Letter and medical bill are scanned into the FileNet data system to allow SORM employees to retrieve document images when researching inquiries from providers. The medical bill is then returned to the provider along with the RTP Letter requesting needed information.

Archived Workers' Compensation Claim Files

The DPD, as time permits, is also responsible for scanning all workers' compensation archived claim related documents into the FileNet data system. To scan archived workers' compensation claim files, the Document Specialist uses a green barcode sheet with a unique SDCN and barcode. Scanning and reviewing responsibilities are segregated between 2 Document Specialists to ensure imaging is performed properly while the original document is still available. Paper documents are shredded, usually a week after being scanned and verified.

Performance Standards

An internally-developed performance standard is used to monitor the work of the DPD staff. Each Document Specialist is required to generate an average of 100 green or 75 yellow barcode sheets per day. Batch Slips are retained and used by each of the Document Specialists to document on their respective spreadsheet, daily production output; to include, number of pages and barcode sheets scanned, new manually set-up workers' compensation claims, etc. At the end of the month, each Document Specialist submits their spreadsheet to the DPD Supervisor, who utilizes them, and reports generated from the CMS that document the number of barcode sheets scanned, to prepare a monthly report. Monthly reports are then used to compile quarterly reports, which are submitted to the Deputy Executive Director for his review, and reflect the number of archived files, medical bills, and pages scanned; and, the cost of returned mail.

As of May 31, 2015, the DPD generated 77,885 green barcode sheets and 68,160 yellow barcode sheets, and scanned the following number of documents:

<u>Document Class</u>	<u>Number of Scanned Documents</u>
STRATACARE	64,832
MYMAYTRIX	1,775
PRIORITY/NON PRIORITY DOCUMENTS	76,547
RETURN TO PROVIDOR	4,258
ARCHIVED CLAIM FILES	1,405
IN-HOUSE PAYMENTS	1,079
IMO PRE-AUTH IMAGES	4,265
RECORDED STATEMENTS	1,921
Total	<u>156,082</u>

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Records Retention

SORM's Records Retention area is responsible for ensuring that state documents are retained in accordance with the applicable rules, as outlined in Chapter 441, Subchapter L of the Texas Government Code, SORM's established policies and procedures, and, its current records retention schedule (Schedule) approved by the Texas State Library and Archives Commission (TSLAC).

The Executive Assistant, who reports directly to the Executive Director, has been designated as SORM's Records Management Officer (RMO). The RMO is responsible for reviewing, updating and submitting the Schedule to TSLAC for approval.

The RMO has assigned each Division Chief with the responsibility of retaining and disposing records within their division. In preparation of updating the Schedule, each Division Chief is responsible for inventorying their records and compiling a spreadsheet to document the type, medium, retention period, and location of each document. Each Division Chief is also responsible for developing and maintaining destruction logs for their Division, which are provided to the RMO at her request. As of May 31, 2015, records have not been destroyed.

Records Retention Schedule (Schedule)

SORM's current Schedule was approved by TSLAC in April 2012. In accordance with Texas Administrative Code §6.3, effective September 1, 2014, after the second recertification of the Schedule, it is required to only be submitted for recertification every 5 years from the date of the last recertification. Therefore, SORM will be required to submit their Schedule for recertification in April 2017.

To ensure compliance with state requirements, SORM uses TSLAC's published form SLR 105 to prepare the Schedule, which requires the following information to be included:

- Record Series Item Number – For common records listed in the State Records Retention Schedule (RRS), the number is obtained from the RRS. For records not listed in the RRS, the field may be left blank.
- Agency Item Number – A number assigned by SORM to correspond to the record series.
- Record Series Title – The official title of the record series assigned by SORM.
- Retention Period – The period the record series is to be retained in active use at SORM and in an inactive storage facility, such as the State Records Center (Center).
- Archival Codes – Indicates archival value, such as "A" for records which will be transferred to the State Archives and do not require prior review by the State Archivist and "R" for records that have an undeterminable archival value and require review by the State Archivist prior to being transferred to the State Archives.
- Remarks – Includes any state references, legal citations, agency policy, etc.
- 106 Number – Storage approval number for records stored at the Center.

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Storage

SORM's records are stored both onsite and offsite, as follows:

- Onsite – Workers' compensation claim files stored in the Filenet data system; 3,156 original microfilmed workers' compensation claim files closed from the period 1978 to 1998; archived workers' compensation claim files to be scanned; and, records other than workers' compensation claim files.
- Office of the Attorney General (OAG) warehouse – 512 boxes of archived workers' compensation claim files not microfilmed and closed from the period 1983 to 2009.
- Iron Mountain Offsite Storage Center – Duplicate copy of the 3,156 microfilmed workers' compensation claim files that are stored onsite at SORM.

When an archived workers' compensation claim file is requested, an email is sent to the OAG requesting the box. An OAG staff member will then deliver the box to SORM. As of May 31, 2015, the DPD has received only one request to retrieve a file stored in OAG's warehouse.

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Audit Scope/Objective

The scope of our audit was Document Management & Records Retention Area. The objective of our audit was to gain an understanding of the processes and controls in place over document management and records retention to determine whether they provide reasonable assurance for compliance with applicable state requirements and SORM's established policies and procedures.

The procedures performed to achieve the objective of our audit were as follows:

- Document Management
 1. Reviewed the Document Processing Department's (DPD) policies and procedures and conducted interviews to obtain an understanding of the processes and controls in place over document management.
 2. Performed a walkthrough of the incoming mail and scanning process for workers' compensation claims and medical bills, to ensure compliance with policies and procedures.
 3. Obtained an understanding of the internal tracking system in place to monitor the DPD's internally-developed performance standards, by reviewing monthly reports prepared by the DPD Supervisor.
 4. Selected and obtained the quarterly report for the 3rd quarter submitted to the Deputy Executive Director and agreed amounts reported for the number of medical bills and pages scanned to the March, April, and May 2015 monthly reports, prepared by the DPD Supervisor, to ensure accuracy of information provided.
 5. Obtained the CMS weekly reports for the months of October 2014, February 2015, and May 2015 and agreed the number of barcodes generated to the same amounts reported in the monthly reports prepared by the DPD Supervisor.
 6. Obtained a list of current FileNet data system users and current employees, identified critical user rights, and ensured employees with critical user rights were current employees and are in positions that require such access.
 7. Observed the microfilm rolls and archived claim boxes stored onsite to ensure the files are stored securely and that the files inventory is reliable.
- Records Retention
 1. Reviewed and obtained an understanding of Chapter 441, Subchapter L of the Texas Government Code, and SORM's established policies and procedures for records retention.
 2. Conducted interviews to obtain an understanding SORM's current practices in place over records retention.
 3. Obtained and reviewed the current records retention schedule to ensure inclusion of all state-required elements.

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4. Inquired of staff, reviewed inventory logs, and observed records stored onsite to determine whether records are being retained within the prescribed retention period.
5. Reviewed the list of records stored at the OAG's warehouse and Iron Mountain Storage to determine whether records are being retained within the prescribed retention period.

I. Compliance with Texas Government Code 2102: Required Posting of Internal Audit Information

To comply with the provisions of Texas Government Code, 2102.015 and the State Auditor's Office, within 30 days after approval by SORM's Board of Directors, SORM will post the following information on its website:

- An approved fiscal year 2016 audit plan, as provided by Texas Government Code, Section 2102.008.
- A fiscal year 2015 internal audit annual report, as required by Texas Government Code, Section 2102.009.

The internal audit annual report includes any weaknesses, deficiencies, wrongdoings, or other concerns raised by internal audits and other functions performed by the internal auditor as well as the summary of the action taken by SORM to address such concerns.

II. Internal Audit Plan for Fiscal Year 2015

The Internal Audit Plan (Plan) included one audit to be performed during the 2015 fiscal year. The Plan also included a follow-up of the prior year audit recommendations, as applicable, other tasks as may be assigned by the Board of Directors or Audit Committee, and preparation of the Annual Internal Audit Report for fiscal year 2015.

Risk Assessment

Utilizing information obtained through the inquiries and background information reviewed, 16 audit areas were identified as potential audit topics. A risk analysis utilizing our 8 risk factors was completed for each individual audit topic and then compiled to develop an overall risk assessment.

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Following are the results of the risk assessment performed for the 16 potential audit topics identified:

HIGH RISK	MODERATE RISK	LOW RISK
Accounting and Financial Reporting Information Resources	Procurement/HUB Compliance/Travel Payroll/Human Resources Call Center for Workers' Compensation Internal/External Training Medical Quality Assurance Compliance Management	Document Management/Records Retention Capital Assets Performance Measures Lost Time Teams Unit Risk Management (includes Business Continuity) Indemnity Quality Assurance Fraud and Recovery (includes Subrogation) Interagency Contract Assessments

In the prior 3 years, the internal auditor performed the following audits and functions:

Fiscal Year 2014:

- Accounting and Financial Reporting
- Procurement/HUB Compliance/Travel
- Follow up of Prior Year Audit Recommendations
- Preparation of the Annual Internal Audit Report

Fiscal Year 2013:

- Medical Cost Containment Unit
- Follow up of Prior Year Audit Recommendations
- Preparation of the Annual Internal Audit Report

Fiscal Year 2012:

- Follow up of Prior Year Audit Recommendations
- Preparation of the Annual Internal Audit Report

The area recommended for internal audit and other functions to be performed for fiscal year 2015 were as follows:

<u>Report No.</u>	<u>Audits/Report Titles</u>	<u>Report Date</u>
1.	Document Management & Records Retention	6/19/2015
1.	Annual Internal Audit Report – Follow-Up of Prior Year Internal Audits	6/19/2015
-	Other Tasks Assigned by the Board of Directors or Audit Committee	None

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III. Consulting and Nonaudit Services Completed

The internal auditor did not perform any consulting services, as defined in the Institute of Internal Audit Auditors' *International Standards for the Professional Practice of Internal Auditing* or any non-audit services, as defined in the *Government Auditing Standards, December 2011 Revision*, Sections 3.33-3.58.

IV. External Quality Assurance Review

The internal audit department's most recent *System Review Report*, dated October 26, 2012, indicates that its system of quality control has been suitably designed and conforms with applicable professional standards in all material respects.

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V. Observations/Findings and Recommendations

Report No.	Report Date	Name of Report	Observations/ Findings and Recommendations	Current Status (Implemented, Partially Implemented, Implementation Delayed, No Action Taken, Do Not Plan to Take Corrective Action or Other) with brief description if not yet implemented	Fiscal Impact/Other Impact
1	6/19/2015	Document Management & Records Retention	<p>1. Records Retention Schedule (Schedule)</p> <p>SORM's Schedule, which is dated April 2012, was not revised, as recommended in 2010, when we performed the last internal audit of this area. As a result, our review indicated that—</p> <ul style="list-style-type: none"> Records; such as, archived and microfilmed workers' compensation claim files; and, performance measures reports and related documentation, are being retained longer than the retention period reflected in the Schedule. Records; such as, budgets, various reconciliations, and daily receipt logs, are retained by SORM but not included in the Schedule. <p>Recommendation We recommend that SORM review its current Schedule and revise it accordingly to ensure it is complete and accurate and reflects its current records retention practice.</p> <p>Management's Response SORM has created a Compliance and Practices Department and hired a Compliance Officer. The Compliance Officer is responsible for policies and procedures, external audit, contract management, customer complaint/ethics, and open records functions. The Compliance Officer will work with the Records Maintenance Officer to review and develop procedures for retaining SORM's performance measures reports and develop a retention schedule for SORM's budget records. SORM's record retention procedures must comply with the Texas State Records Retention Schedule (Revised 4th Edition).</p> <p>Due to the administrative attachment, SORM staff must ensure its policies and procedures regarding financial and accounting records are consistent with the Interagency Contract between SORM and the Office of the Attorney General. The anticipated completion date for these items is February 1, 2016.</p> <p>With regard to the archived/microfilmed workers' compensation claim files, see Management's response to Point 4.</p>		Ensure the Schedule reflects the proper records retention practice.

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Report No.	Report Date	Name of Report	Observations/ Findings and Recommendations	Current Status (Implemented, Partially Implemented, Implementation Delayed, No Action Taken, Do Not Plan to Take Corrective Action or Other) with brief description if not yet implemented	Fiscal Impact/Other Impact
1	6/19/2015	Document Management & Records Retention	<p>2. Records and Information Management Compliance Procedures</p> <p>The Records and Information Management Compliance Procedures requires each Division Chief to certify on a quarterly basis, with the records retention officer, compliance with records retention for their respective Division. However, in practice, this procedure is no longer in place.</p> <p>Recommendation We recommend SORM comply with the Records and Information Management Compliance Procedures or develop other procedures to monitor compliance and revise the existing procedures, as considered necessary.</p> <p>Management's Response The Compliance Officer will work with the Records Maintenance Officer to ensure SORM's record retention procedures comply with the Texas State Records Retention Schedule (Revised 4th Edition). Once revised procedures and policies are in place the Office will require compliance by all staff. Due to the administrative attachment, SORM staff must also ensure its policies and procedures are consistent with the Interagency Contract between SORM and the Office of the Attorney General. Following any revisions to the record retention schedule, SORM must follow the procedures in 13 Texas Administrative Code Sections 6.1 – 6.5 regarding certification and/or recertification of SORM's records retention schedule.</p> <p>3. Business Continuity and Disaster Recovery Plans</p> <p>Our inquiries of staff indicated that SORM is in the process of developing and implementing, both, a business continuity and disaster recovery plan. These plans will outline procedures to keep SORM operational in case of disruptions to production, finance, administration, or other essential operations; and, establish procedures for the protection, maintenance and storage of vital records, as required by Texas Labor Code §412.054 and Texas Government Code Chapter 441.</p> <p>Recommendation We recommend SORM continue with the development of these plans to ensure procedures are in place for business continuity and the safety of vital records.</p>		<p>Ensure policies and procedures are adequately documented.</p> <p>Ensure business continuity and safety of vital records.</p>

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1	6/19/2015	Document Management & Records Retention	<p>Management's Response HB 1832 required state agencies to have a Continuity of Operations Plan (COOP) as opposed to a business continuity plan. SORM has held several meetings regarding SORM's continuity of operations plan and a working draft of SORM's COOP has been written. SORM anticipates its updated COOP will be finalized by February 1, 2016.</p> <p>4. Archived Claims Files</p> <p>Our observation of archived workers' compensation claim files retained in boxes onsite at SORM's offices, and review of the inventory list of archived workers' compensation claim files stored offsite at the OAG's warehouse, indicated the following:</p> <ul style="list-style-type: none"> • An inventory list is not maintained for archived workers' compensation files stored onsite at SORM's offices. • The inventory list of archived workers' compensation claim files stored offsite at the OAG's warehouse may not be accurate since a definite number of boxes stored could not be provided. • Inquiry of the DPD Manager indicated that an estimated 8 boxes of archived workers' compensation claim files stored at the OAG warehouse may have already exceeded the 30 year retention period. <p>Recommendation We recommend SORM conduct an inventory of the archived workers' compensation claim files stored both on and offsite and review the retention period to evaluate the necessity of continued storage and scanning, versus destruction, of the documents.</p> <p>Management's Response SORM will initiate the following procedure to eliminate microfilm and hard copies of which are beyond the retention cycle:</p> <ul style="list-style-type: none"> • Information Resources will run annual report (in January of each year) on all files that have been closed for 30 years. • The Document Process Services team will review the report. • Document Process Services will review microfilm and hard copies of the reported cases. • If an entire roll of microfilm or entire box of hard copies contains claim files beyond the retention schedule, then the entire roll of microfilm and/or box will be destroyed. 		<p>To ensure records are retained in accordance with the Schedule and to maintain employee efficiency by not scanning records unnecessarily.</p>

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1	6/19/2015	Document Management & Records Retention	<ul style="list-style-type: none"> • Any microfilm roll or box containing a claim file within the retention schedule, then that entire claim file will be uploaded to the present database. A complete electronic file will be stored. After uploading, the microfilm and/or hard copies will be destroyed. • A destruction log will be maintained. It will log and track claim numbers, microfilm roll number, box number, and location where the hard copies were stored. <p>SORM will initiate this process starting January of 2016. The implementation of this process will allow SORM to start an inventory process of claim files on an ongoing basis.</p>		

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1	6/19/2015	2015 Follow-Up	<p><u>Follow-Up of Prior Year Audits</u></p> <p>Following is the status of the recommendations made in previous fiscal years that had not been fully implemented.</p> <p><u>Accounting & Financial Reporting</u></p> <p>1. Purchasing Policies and Procedures</p> <p>Adopt written policies and procedures over the purchasing process.</p>	<p>Implementation Delayed</p> <p>The Deputy Executive Director, Internal Operations' Division Chief, General Counsel, the Compliance Officer, and Accounting staff will review and update procurement policies and procedures. Due to the administrative attachment, SORM staff must ensure its policies and procedures are consistent with the Office of the Attorney General's procurement policies and procedures.</p> <p>General Counsel will be meeting with the Office of the Attorney General to get best practices recommendations.</p> <p>Three employees within Legal Services will be attending classes on contract management which includes procurement.</p> <p>SORM anticipates this recommendation will be completed by March 1, 2016.</p>	<p>Ensure policies and procedures are adequately documented.</p>

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1	6/19/2015	2015 Follow-Up	<p>2. Accounting Policies and Procedures</p> <p>Review and revise the Accounting policies and procedures to properly reflect current practices.</p>	<p>Implementation Delayed The Deputy Executive Director, Internal Operations' Division Chief, General Counsel, the Compliance Officer, and Accounting staff completed a review of accounting policies and procedures. Due to the administrative attachment, SORM staff must ensure its policies and procedures are consistent with the Office of the Attorney General's procurement policies and procedures.</p>	<p>Ensure policies and procedures are adequately documented.</p>

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Report No.	Report Date	Name of Report	Observations/ Findings and Recommendations	Current Status (Implemented, Partially Implemented, Implementation Delayed, No Action Taken, Do Not Plan to Take Corrective Action or Other) with brief description if not yet implemented	Fiscal Impact/Other Impact
1	6/19/2015	2015 Follow-Up	<p><u>Procurement/HUB Compliance/Travel</u></p> <p>1. Travel Vouchers and Request</p> <p>Ensure all travel requests be approved by both the employee and the Division Chief to comply with SORM's policies and procedures.</p>	<p>Implementation Delayed</p> <p>The Deputy Executive Director, Internal Operations' Division Chief, General Counsel, the Compliance Officer, and Accounting staff completed a review of travel and travel reimbursement policies and procedures. Due to the administrative attachment, SORM staff must ensure its policies and procedures are consistent with the Office of the Attorney General's policies and procedures. SORM anticipates implementing the revised Travel and Travel Reimbursement policies and procedures by December 1, 2015.</p> <p>SORM has developed an electronic Travel Voucher that will be implemented at the time the Travel and Travel Reimbursement procedures are implemented.</p>	<p>To ensure compliance with documented policies and procedures.</p>

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1	6/19/2015	2015 Follow-Up	<p>4. Procurement Policies and Procedures</p> <p>Implement policies and procedures to document their process for procurement such as drafting proposals and obtaining and evaluating bids.</p>	<p>Implementation Delayed The Deputy Executive Director, Internal Operations' Programs' Division Chief, General Counsel, the Compliance Officer, and Accounting staff will review and update procurement policies and procedures. Due to the administrative attachment, SORM staff must ensure its policies and procedures are consistent with the Office of the Attorney General's procurement policies and procedures. SORM anticipates this recommendation will be completed by March 1, 2016.</p>	<p>Ensure policies and procedures are adequately documented.</p>

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1	6/19/2015	2015 Follow-Up	<p><u>Information Resources (IR)</u></p> <p>1. Policies and Procedures</p> <p>Perform a comparison of the security policies recommended by the TAC to SORM's written policies and procedures to ensure that sufficient written policies and procedures are documented and implemented.</p>	<p>Implementation Delayed</p> <p>The Deputy Executive Director, Internal Programs' Division Chief, General Counsel, the Compliance Officer, and Information Resource Director will review all policies and procedures. Due to the administrative attachment, SORM staff must ensure its policies and procedures are consistent with the Office of the Attorney General's information security procedures. After the review, the policies and procedures will revise accordingly. SORM anticipates that this recommendation will be completed by September 1, 2016.</p>	<p>Ensure policies and procedures are adequately documented.</p>

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VI. External Audit Services Procured in Fiscal Year 2015

SORM procured the internal audit services documented in the Internal Audit Plan for fiscal year 2015.

VII. Reporting Suspected Fraud and Abuse

SORM has provided information on its home page on how to report suspected fraud, waste, and abuse to the State Auditor's Office (SAO) by posting a link to the SAO's fraud hotline. SORM has also developed a Fraud Policy that provides information on how to report suspected fraud, waste, and abuse to the SAO.

VIII. Proposed Internal Audit Plan for Fiscal Year 2016

The risk assessment performed during the 2014 fiscal year was used to identify the following *proposed* area that is recommended for internal audit and other tasks to be performed for fiscal year 2016. The Internal Audit Plan for fiscal year 2016 will be developed and presented to the Audit Committee and Board of Directors at a meeting to be determined at a later date.

- Information Resources
- Follow-up of Prior Year Internal Audits
- Other Tasks Assigned by the Board of Directors or Audit Committee

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IX. Organizational Chart

